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SUBJECT: Perspectives on WTO, Biotechnology, the
2007 Farm Bill and Biofuels

1. SUMMARY: Fred L. Dailey, Director, Ohio Department of Agriculture recently met with representatives of the French Ministry of Agriculture (MinAg) to share perspectives on the WTO, biotechnology, the Farm Bill and biofuels. After making it clear that he did not speak for the USG, Director Dailey discussed the likely impact of the WTO case on cotton subsidies and hurricane Katrina on the next U.S. Farm Bill. With regard to the WTO negotiations, the French officials stressed that they thought that significant benefits would primarily accrue to emerging markets like Brazil at the expense of the poorest countries. Alternatively, France favors the development of domestic farm policies in developing countries to help increase farm earnings. On biofuel, French MinAg reps expressed concern about the differential in production costs in Brazil compared to those in the United States and Europe. Finally, Director Dailey underlined that the European position on biotechnology is considered to be a non-tariff trade barrier in the U.S. END SUMMARY.

2. On October 13, 2005, Fred L. Dailey, Director, Ohio Department of Agriculture, and Embassy AgEconomist met with three representatives of the French Ministry of Agriculture (MinAg): Jean-Jacques Benezit, Deputy Director for International Trade, Daniel Boissiere, head of the Office of Cooperation and Bilateral Relations, and Philippe Duclaud, head of the Office of External Relations of the EU, in the Directorate for Economic and International Policy (DPEI).

WTO Trade Talks

3. French Ministry of Agriculture officials explained they believed that the Doha round was more of a development round than a trade negotiation like the Uruguay Round. They said that former rounds were like a club between the United States and the European Union. However, they asserted that this is no longer the case in the current round: developing countries are now playing a major role in the negotiations and this round will have to give them practical answers. The French fear that, in the end, Brazil and emerging countries will be the winners at the expense of the poorest African countries.

4. French MinAg reps explained their objective is to favor country development based on domestic agricultural policies, and not exclusively on free trade. They believe it is a sovereign right for developing countries to have domestic farm policies (including non trade-distortive green box payments), within the framework of WTO.

5. MinAg reps explained that the EU has already taken substantive measures reforming the CAP and is now waiting for other WTO members to make similar reforms.

2007 Farm Bill

6. Director Dailey explained that discussions on the next Farm Bill are beginning in the United States. Two factors that will affect the discussions are the outcome of the WTO case on cotton subsidies and the "Katrina effect" which

means stronger budget constraints than formerly expected. He added that Secretary Johanns has conducted a number of listening sessions across the country to hear farmers and ranchers concerns.

17. More specifically, Ohio farmers' focus is on the development of bioethanol production (with 5 plants being currently built), the expansion of cattle operations, the capitalization of indirect subsidies in land value, the reduction in farm subsidies announced by USTR and the limitation of payments to rice producers. Director Dailey emphasized the preference for compensation from the market place rather than from public budgets, their call for a safety net, and refusal to become a "public utility."

18. When asked by French MinAg reps whether landscape management, carbon fixation and rural development were discussed as farmers' roles and activities that could be paid, Director Dailey answered these were taken for granted and did not have the same recognition in the United States as in the EU. However, he added that there are important programs for soil and water conservation in the United States.

Biofuels

19. Director Dailey explained the success of the bioethanol production in the United States with its profitability, its generation of more demand for corn, the positive contribution of biofuels to the environment, and the reduction in use of fossil energy.

110. French MinAg reps expressed their concerns about the cost differential between European biofuel plants and Brazilian plants and said French plants are not expected to be competitive with Brazil for the next 10 years. Finally, French MinAg reps wondered how to deal with the issue of biofuel in the WTO given the high cost differential between operations in Brazil, Europe and the United States.

Biotechnology

111. Director Dailey said 75 percent of soybeans grown in Ohio this year are genetically modified. He indicated that tofu processed in Ohio for Japanese consumers meets Japanese standards regarding biotech. Director Dailey indicated the U.S. government considers the EU policy on biotech to be a non-tariff trade barrier because scientists worldwide have recognized this technology to be safe.

112. Representatives of the French MinAg indicated the biotech issue was very sensitive in France given that side-effects on health and the environment are not clear. They favored clear labeling for the sake of consumer choice and did not consider the EU biotech policy to be a non-tariff trade barrier.

Geographical Indications

113. French MinAg reps explained they have a country of origin law, which affects product value. They indicated that China, Vietnam and Thailand worked with France on Geographical Indications and were keen on adopting the concept as a means of traceability. Director Dailey responded that, in the end, consumers would recognize high quality products.

Stapleton